(c) Does not arise.

(d) So far as consolidation/merger of banks is concerned, it would allow economics of scale in terms of footprint, manpower and other resources. Having Indian Banks of a larger size would enable them to face competition arising from internationalization of the economy. Larger size also entails better management of risk. Small and weak banks pose systemic risks with their low capital adequacy ratio and high NPA's. Consolidation is a timely response to augment efficiency which would lead to income generation and add to GDP of the country. However, such decision should be based on business synergies of merging/consofidating entities.

Use of Royalty on Crude Oil

*299. SHRI LEKHRAJ BACHANI: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the royalty on crude oil received by State Governments is used for entire State;

(b) if not, whether provision is made for the development of the area from where it is produced or found; and

(c) what is Government's reaction thereto?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) to (c) Royalty on crude oil is payable in terms of the provisions of Oil Fields (Regulation and Development) Act, 1948 and Petroleum & Natural Gas Rules, 1959, framed thereunder. Royalty on on-land production is paid to. the concerned State Government and the proceeds are credited to the Consolidated Fund of the State concerned. The Oil Fields (Regulation and Development) Act, 1948 and Petroleum & Natural Gas Rules, 1959 do not prescribe the manner of utilization of royalty proceeds by the State Government. These are, therefore, utilized by the recipient State Government like any other general revenues acquiring to it.